

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO INTRALATA TOLL	)	
COMPETITION, AN APPROPRIATE	)	ADMINISTRATIVE
COMPENSATION SCHEME FOR COMPLETION	)	CASE NO. 323
OF INTRALATA CALLS BY INTEREXCHANGE	)	PHASE I
CARRIERS, AND WATS JURISDICTIONALITY	)	

O R D E R

IT IS ORDERED that all parties shall file the original and 12 copies of the following information with the Commission, with a copy to all parties of record, by August 31, 1990. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. If the information cannot be provided by this date, each party should submit a motion for an extension of time stating the reason delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

SOUTH CENTRAL BELL TELEPHONE COMPANY

1. Follow-up to Item 2 of the Commission's May 24, 1990 Order. The response proposes a phase-in schedule that delays implementation of 10XXX facilities-based intraLATA toll

competition and intraLATA operator services competition until January 1, 1994. Provide a contribution analysis to justify delaying these types of competition until 1994. The analysis should be constructed so that the effects of each type of competition on contribution can be evaluated independently.

2. Follow-up to Item 3 of the Commission's May 24, 1990 Order. At the end of the paragraph describing the "Basic Feature Concept, it states that "[a]ll other intraLATA call types must also be addressed (e.g., 0+, 0-, Directory Assistance, coin toll, host/remote toll)." Why is it assumed that these types of calls must be handled differently than similar interLATA or interstate calls?

3. Follow-up to Item 4 of the Commission's May 24, 1990 Order. Is the current situation, in which subscribers can only presubscribe to one carrier for both their interLATA and interstate traffic, considered a limited, interim presubscription capability? If not, why would limiting intraLATA presubscription to either a subscriber's interLATA/interstate carrier or their local exchange carrier be considered a limited presubscription capability?

4. Follow-up to Item 10 of the Commission's May 24, 1990 Order.

a. The response provides three recommendations for changes to existing access tariffs prior to implementing intraLATA competition, one of which is to reduce existing intrastate switched access rate levels to interstate levels. Why is this necessary

prior to implementing intraLATA competition when it was not necessary prior to implementing interLATA competition?

b. Explain what is meant by "attempting to leverage interstate profitability into intrastate pricing."

c. Why is ULAS elimination necessary prior to implementing intraLATA competition?

5. Questions not related to previous requests. If SCB was required to allow intraLATA "10XXX" calls to be handled by presubscribed carriers, how long would it take to implement this change?

Questions for Margaret K. Thompson

1. Provide all workpapers and identify the assumptions and sources of data that were used to develop Exhibit 1.

2. Provide all workpapers and identify the assumptions and sources of data that were used to develop Exhibit 2.

3. Provide any data, analysis or information that support the statements at the bottom of page 14 and the top of page 15 concerning whether the Joint Motion brings the expected benefits of competition to the Kentucky marketplace.

Questions for Stanley S. Dickson

1. See prefiled testimony at pages 3-4. With reference to administrative regulations, administrative orders, or regulatory proposals made in this investigation, provide specific examples of regulatory treatment that would be fair/unfair to South Central Bell vis-a-vis its competitors.

2. See prefiled testimony at page 4.

a. Do MFJ interLATA restrictions apply to carriers other than South Central Bell and GTE? If the answer is affirmative, provide a detailed explanation.

b. Are MFJ interLATA restrictions subject to removal by this Commission? If the answer is affirmative, provide a detailed explanation.

c. Explain the reasons underlying MFJ interLATA restrictions.

3. See prefiled testimony at pages 5-6.

a. Does South Central Bell's rate rebalancing plan include the impact of any change in authorized rate of return? If the answer is affirmative, provide a detailed explanation.

b. Does South Central Bell's rate rebalancing plan include the impact of any change in cost of service or operating expenses? If the answer is affirmative, provide a detailed explanation.

c. Does South Central Bell's rate rebalancing plan include the impact of any access line growth? If the answer is affirmative, provide a detailed explanation.

d. Does South Central Bell's rate rebalancing plan include the impact of any stimulation of demand for interLATA toll services? If the answer is affirmative, provide a detailed explanation.

e. Does South Central Bell's rate rebalancing plan include the impact of any stimulation of demand for access services? If the answer is affirmative, provide a detailed explanation.

Question for Frank C. Feagin

1. See prefiled testimony at page 3. Provide a list and discussion of regulations that encumber South Central Bell and are not applicable to its competitors.

Questions for James H. Anderson

1. See prefiled testimony at pages 6-7. Why is it necessary to delay intraLATA competition and shift non-traffic sensitive cost to end-users given the existing ULAS procedures and the NTS recovery mechanism included in the Joint Motion?

2. See prefiled testimony at page 9. Would implementation of the Joint Motion in the service areas of its signatories and South Central Bell's transition plan in its services areas tend to encourage or inhibit the development of intraLATA competition?

Questions for Hamilton E. Gray, Jr.

1. See prefiled testimony at page 4-5.

a. Is this description of equal access presubscription generally referred to as the full 2-PIC method?

b. If the answer to the above is affirmative, on what basis did South Central Bell assume adoption of the full 2-PIC method as opposed to a modified 2-PIC method?

c. Generally, would deployment of a modified 2-PIC equal access plan be less expensive than deployment of a full 2-PIC equal access plan? Provide any available cost estimates associated with deployment of a modified 2-PIC equal access plan.

d. Describe switch logic charges that would be necessary to implement a modified 2-PIC method.

2. See prefiled testimony at page 13. Provide a copy of the Minnesota Equal Access and Presubscription Implementation Study Committee report, and any other similar study or report in the possession of South Central Bell or BellSouth Services.

CINCINNATI BELL TELEPHONE COMPANY

Questions for Mary Ann Austin

1. See prefiled testimony at pages 7-8. Could intraLATA presubscription be feasibly limited to a choice between the end-user's serving local exchange carrier and presubscribed interLATA carrier? If the answer is affirmative, describe switch logic changes that would be necessary.

2. See prefiled testimony at pages 10-11. Identify the interLATA restrictions faced by most local exchange carriers.

3. See prefiled testimony at pages 10-11. Do any measured or usage sensitive charges between exchanges represent toll charges?

AT&T

Follow-up to L. G. Sather Testimony

1. On page 7 of your testimony, you cite instances in Louisiana, Alabama, and Tennessee in which South Central Bell has reduced toll and access charges. Provide a comparison of representative toll and access charge rates in these jurisdictions with South Central Bell's Kentucky rates. Include a copy of South Central Bell's intraLATA basic MTS schedules and the rates used to recover non-traffic sensitive access costs in these jurisdictions.

2. Follow-up to Item 14 of the Commission's May 24, 1990 Order.

a. The response states in part "[t]o the extent that access charges from a particular location are extremely high, a disincentive is created for an interexchange carrier to actively market service in that area. Historically, the primary area of disparate rate arrangements have existed in the carrier common line charges and not in the transport charges." Is it AT&T's belief that the lack of adequate competition in Kentucky's more rural areas is because of higher carrier common line charges than more urban areas? If not, clarify the original response.

b. If low traffic volumes are a major factor in the lack of toll competition in Kentucky's more rural areas, could the addition of intraLATA traffic help to increase traffic volumes sufficiently to make these areas more economically attractive to competing carriers?

3. Follow-up to Item 17 of the Commission's May 24, 1990 Order.

a. How do "access charge disparities permit the continued averaging of toll rates"? (emphasis added) It would seem that access charge uniformity would be more conducive to average toll rates.

b. What is the difference between "prohibiting deaveraged toll rates" and "requiring average toll rates"?

#### US SPRINT

1. Follow-up to Item 13 of the Commission's May 24, 1990 Order. What is US Sprint's interpretation of the "current distinction between intraLATA toll services and local services"?

ATTORNEY GENERAL

Questions for Dr. Marvin H. Kahn

1. On page 16, beginning on line 12, your testimony describes the proposal in the Joint Motion which calls for all NTS cost recovery to be through a flat rate access charge, which is to be stated on a per access line basis. By "cost recovery," are you referring to the establishment of a revenue requirement, or are you referring to cost recovery mechanisms, i. e., rates? That is, is it an adequate characterization of your testimony that you have no objection to recovering NTS revenue requirements through a flat-rated mechanism such as ULAS, but that you object to basing the revenue requirement itself on a method that assumes no changes in NTS costs per access line?

2. On page 19, beginning on line 10, your testimony indicates that arbitrage and tariff shopping may be minimized by mirroring both interstate traffic sensitive and carrier common line charges. How should the remainder of the access NTS requirement be recovered, in ULAS charges or subscriber line charges or some other mechanism?

3. On page 20, beginning on line 3, you state that "[t]he NTS cost recovery proposal included in the Joint Motion calls for the NTS costs per access line to remain fixed and constant independent of what happens to the underlying NTS costs" and you describe an alternative approach. Clarify this alternative. For example, its not clear how this approach will reflect changes in underlying NTS costs. You refer to "percent of total NTS costs that this pool represents." What percentage is being referred to

and what pool? Do you mean that the percentage of a local exchange carrier's total NTS costs which are currently recovered through intrastate toll and access charges should remain constant? That is, a carrier's total NTS costs per access line should be determined, and a constant proportion of these costs should be assigned to access?

MCI

Questions for Don J. Wood

1. Your testimony is that intraLATA presubscription should occur no later than one year from the Commission's Phase I Order. Is it MCI's position that this should occur regardless of cost and that if the necessary software will not be generally available by this time, that Kentucky consumers should underwrite the costs for accelerating its development?

2. On page 8 of your testimony, you propose that for those switches to be replaced after the one year deadline, that all such switches be required to be equal access capable. What types of new switches are equal access incapable?

Questions for Dr. Nina W. Cornell

1. On page 5 of your testimony, you state that the Commission should grant entry without delay and not phase in intraLATA competition. Identify any other states that have authorized intraLATA 1+ presubscription and immediately implemented it. As a practical matter aren't there technical constraints to implementation that force a phased-in approach?

2. Your testimony describes the reasons why LECs should be designated as dominant carriers in their service territories but

does not discuss the application of the dominant and non-dominant classifications to interexchange carriers. Address this topic.

3. On page 15 of your testimony, you indicate that local transport is controversial because South Central Bell does not have points-of-presence ("POPs") as do interexchange carriers, and later propose a solution to impute the costs of local transport by using the average distance of local transport used by interexchange carriers.

a. Would this method "impute" the costs of transporting calls to POPs? If so, why should this not be considered as imputing an inefficiency that does not exist?

b. Rather than viewing the situation as a lack of POPs, could the situation also be viewed as having a multiplicity of POPs? That is, could not each of South Central Bell's tandem switching locations, or even end offices, be viewed as a POP?

c. On page 17 of your testimony, question 21, you describe a situation in which a local exchange carrier provides a switched service using ordinary access lines, but an interexchange carrier offering the same service using special access. In this context, how do you define "same service"?

4. On page 18 of your testimony, you indicate that imputation of access charges into the intraLATA toll rates of South Central Bell would result in no reduction of the revenue flow or contribution from shifts in intraLATA toll traffic between local exchange carriers and interexchange carriers. Does this depend upon the assumption that current intraLATA toll rates are already based upon the imputation of access charges, or that intraLATA

access rates are set to produce the same amount of contribution currently provided by intraLATA toll?

5. Beginning on page 22 of your testimony, you provide reasons why designating a carrier of last resort is not necessary, one of which is that existing toll plant cannot be diverted to serve other routes. Is it not possible for a carrier to stop maintaining these facilities?

#### RESELLERS

##### Question for Ben Johnson

1. Your testimony supports phasing-in intraLATA competition on a route specific basis. On page 15, you describe a situation in which an interexchange carrier might install a transmission pipeline for carrying interstate and interLATA traffic along a "noncompetitive route." You indicate that the particular carrier might benefit from providing intraLATA traffic along this route, but the local exchange and other interexchange carriers would tend to be losers. How? If a carrier can provide intraLATA traffic more efficiently along that route than any other carrier, why should it not be permitted to do so?

#### QUESTIONS FOR ALL SIGNATORIES TO THE JOINT MOTION

1. All signatories are asked to address Ms. Margaret Thompson's statements on pages 14 and 15 of her testimony in response to the question "From the perspective of toll and access pricing, does the Joint Motion bring the expected benefits of competition to the Kentucky marketplace?" Responses shall include reasons for disagreeing with Ms. Thompson and identification of

how the Joint Motion brings the expected benefits of competition to the marketplace.

2. Address the concerns outlined by James H. Anderson on pages 6 through 9 of his testimony concerning implementation of the Joint Motion.

3. Comment on the impact of adopting the modifications to the Joint Motion discussed in James H. Anderson's testimony on pages 10 and 11.

4. Respond to James H. Anderson's statements regarding the potential effects that could result from implementation of the Joint Motion as described on page 12 of his testimony.

5. Respond to Dr. Marvin H. Kahn's criticisms of the Joint Motion as stated on pages 15 through 21 of his testimony.

6. The Joint Motion provides for new traffic sensitive rates to be established either through mirroring current interstate rates or through the establishment of appropriately supported state rates at the time of NTS calculation. Is it correct that the Joint Motion proposes that revenue differences associated with new traffic sensitive rates be absorbed in the NTS calculation to keep the total revenue neutral? If so, would revenue differences resulting from future changes to traffic sensitive rates also be made revenue neutral in this manner or should they be handled on a case-by-case basis for each carrier proposing such changes?

7. The Joint Motion reflects the establishment of an NTS access revenue requirement that is based on the assumption that NTS costs per access line are constant, or that the amount of NTS

costs per access line recovered from IXCs should be constant. Why should the IXCs be insulated from changes to NTS costs per access line?

8. Does the Joint Motion eliminate intrastate originating carrier common line charges?

9. For how long will the terms of the Joint Motion be in effect, in particular the provisions relating to NTS revenue requirements and recovery of this requirement?

#### QUESTIONS FOR ALL LOCAL EXCHANGE CARRIERS

1. Provide computations consistent with the directions specified in Appendix A to the Joint Motion.

2. Provide computation consistent with the directions specified in Appendix B to the Joint Motion, using either method A or method B as preferred by the company.

#### QUESTIONS FOR ALL PARTIES

1. Should different interLATA and intraLATA toll rates be considered toll deaveraging? Explain.

2. At the present time, the Commission has a comprehensive set of Extended Area Service ("EAS") guidelines that specify the procedures that will be followed in considering requests for EAS. To what extent will intraLATA toll competition require changes to these guidelines? For example, the focus of these guidelines is ensuring that there is a demonstrable community-of-interest and that subscribers are aware of and agree to bear the costs of EAS. Are these guidelines sufficiently objective to ensure they cannot be used by the local exchange carriers to "corner" a portion of the intraLATA market? What weight should be given to the concerns

of interexchange carriers, relative to those of the subscribers, when considering future EAS requests? If EAS is requested by subscribers in an area where competing carriers are providing toll services between the affected exchanges, and if the conditions contained in the EAS guidelines are satisfied, would requiring optional local measured service, and ensuring that the local exchange carrier's measured rate between the exchanges will recover incremental costs, be sufficient to address the competing carriers concerns? If not, would these conditions be sufficient if mandatory measured service, with the concurrence of the majority of the subscribers, were required?

Done at Frankfort, Kentucky, this 8th day of August, 1990.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director